

The

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The MANAGEMENT REVIEW

April, 1931

Making an Organization Personnel Conscious and Effective *

By R. H. FOGLER, Director of Personnel,
W. T. Grant Company

IT IS reasonable, I think, to ask how one knows when and where personnel effectiveness exists. We cannot even tell where we find it unless we know when we see it. How do we identify it? Do high profits alone apply an index? Does a quality product or tremendous size of the business indicate its presence? Does any one of these or even a combination of all guarantee its existence? It will be agreed, I am sure, that they do not. Personnel effectiveness in any organization depends on intangible factors of attitude on the part of its members, an attitude which is eventually expressed productively in work and pleasantly in human relations. Measurable evidence that it is present is hard to supply.

I have selected a few companies where evidence from within and from disinterested observers indicates that personnel effectiveness prevails.

In the Procter & Gamble Company human relations are apparently on a basis of increasing satisfaction to the company and the employees alike. This company has a definite plan for sale of stock to employees. It has guaranteed employment of 48 weeks or more a year. It has employees on the board of directors. Provisions are made to lighten the burdens of sickness and old age.

The Dennison Manufacturing Company has an unemployment insurance fund and gives very intelligent attention to the importance of regularization of work. It has a strong works committee. The employees are gradually buying

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a large part of the stock of the company. Sick and aged employees are cared for.

The Philadelphia Rapid Transit Company has in the last fifteen or sixteen years completely changed the status of the organization. At present 10,000 or more employees own over a third of the company's stock. A company that was essentially bankrupt a few years ago is now a very successful going concern, which pays 10 per cent bonus on wages to its employees. Very complete information about the company's operation is furnished to the employees and to the public. Representatives of the employees are directors and the employees stock holdings are voted as a unit. The late Thomas Mitten claimed that the attitude of the employees and their active and voluntary co-operation saved the company \$20,000,000 per year.

All of these companies measured in terms of service rendered and financial prosperity are very successful.

Now let us ask ourselves what the above companies and others in which conditions are similar have in common.

1. There is a general recognition of the importance of supplying all employees with just as much knowledge as possible about company policies, company finances and company plans.
2. Employees, managerial and manual, are represented on the board of directors with full voting privileges.
3. There is a recognition of the importance of developing a sense of partnership in the organization on the part of all workers and sharing the results of the company business over and above the payment of wages.
4. The officers and executives of these companies have a very genuine personal interest in the development and usefulness of the employees as individual personalities.

With this limited background of fact, I believe that we shall be justified in saying that an organization is personnel conscious when those exercising major control in the organization recognize that efforts to advance the good of the individual will also advance the group's purposes and create an approximate identity of objective. I think we shall also be justified in saying that an organization will be personnel effective when it has made it possible for the individual employees through representation in joint conference and deliberation on the board of directors to assist in determining policies, making plans and establishing aims.

Now let us inquire in regard to the responsibility of the Personnel Department in making an organization personnel conscious and effective. Those of us who have been directly concerned with personnel work will agree, I think, that the most vital personnel problems of industry are employment, training, compensation, promotions, physical working conditions and health of the individuals. Obviously the manner of dealing with these problems and the results obtained will very largely determine the degree to which any

organization becomes personnel conscious and effective. If effective work is to be done the Personnel Department must establish an objective beyond the solution of individual personnel problems, and a definite decision must be made as to just what the function of the Personnel Department is. The fundamental function should be to assist in good management which, if true, means that the objective of all policies and plans of the department is good management. Also we must be very sure that the Personnel Department is organization conscious and effective if substantial results are to be realized. Surely a Personnel Department cannot hope to assist much in making the organization personnel conscious and effective unless this reciprocal relation exists.

In connection with the major functions of the Personnel Department our concern here is not primarily with detailed methods and technique, but rather with the integrating of the activities into the organization. I have known of Personnel Departments which seemingly were managed with the idea of making almost a separate organization to observe, check and give advice to the parent organization. This type of department is, I think, becoming rapidly less numerous, particularly with business conditions as they have been during the last year.

The well managed department approaches the problem in an entirely different way. It is the purpose of this department to study the organization of which it is a part to learn its major problems in order that it may know its personnel needs, to investigate to learn the most effective personnel methods and finally to build into the everyday operation throughout the company good personnel practices. This department keeps to itself only those functions which can be more effectively and economically carried on if centralized. The head of this department considers that a good personnel job has been done only when all of the other departments have become convinced that up to date personnel practices are as important as modern methods of advertising, sales promotion and control.

Possibly you will ask how this can be accomplished. It is largely a matter of good training and the attitude of the personnel manager and his staff. All effective training should be based on the desire to teach the individual to know how to release progressively more and more of his possibilities. The right training of the supervisory group can insure a general high standard of personnel practice in all departments.

Concerning the attitude of the personnel manager and his staff they must believe implicitly that the interests of the individual are best served by furthering the interests of organization. They must also have at least enough insight into psychology to recognize that the giver of a significant thought or suggestion does not grow less, but greater, that man lives most richly as he makes it possible for others to live richly and that he gains as he makes it possible for others to gain.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Panics and Prophets

The vice chairman of the Bank of America traces the growth of credit and the various panics since 1720. A study of the chart of American business since 1877 does not reveal any mechanical, mathematical, time schedule for booms or depressions. The bright thought is that the normal condition of this country is prosperity. An interesting comment on results of this last reaction is that payments on installment sales have held up remarkably well and that doubtless this method of distribution is here to stay. By John E. Rovensky. *Speech before the Engineers Society of Northeastern Pennsylvania*, Jan. 29, 1931.

Directors Must Direct

Those who accept positions as members of a Board of Directors should be prepared to take an active interest in the affairs of the company. Business men are beginning to realize that when they lend their names they may be lending their reputations and even their money. There are too many directors who can't, won't or don't direct, and who are not labeled honorary. By Andrew M. Howe. *Printers' Ink*, Feb. 5, 1931, p. 17:4.

What Depression Has Taught

For future guidance:

1. Don't blame the depression for everything which has marred the tranquillity of the economic scene since 1929; there are other and in many cases deeper-seated defects having nothing to do with the regrettable episodes of the past 16 months.
2. Don't compare peaks with slumps;

both are abnormalities; the more we flatten out the peaks, the better will be our control of the slumps.

3. Before resorting to the extremity of expecting the wage earner to bear the brunt of the readjustment, let industry be sure that every other one has been exhausted.

4. Don't cut loose from associated activities in business.

5. Don't ignore the amazing power of the new technology.

6. Don't cut marketing research. Our gravest deficiency still lies in the field of defective distribution.

7. Don't overlook the stabilizing value of foreign markets.

8. Don't fall again into the perils of mass mania, the delusion that the sole purpose of business is "busy-ness."

9. Don't overlook the perils of obsolete equipment.

10. Don't be stampeded by unfounded rumors. By Julius Klein. *The Iron Age*, February 19, 1931, p. 667:1.

The Efficiency of American Manufacturing Industry

Some rather startling conclusions are reached in this constructive criticism of the alleged efficiency of the American manufacturing industry. The question is raised as to whether American industry is making an efficient use of capital. For, while industry has been using more capital, the rate of the return to capital invested has been falling. Statistics are produced to show that the post-war period has been one of real wages rising much above the

pre-war average, with labor costs also above pre-war. Can the United States continue at this level of labor costs? Will the theory concerning the economy of high wages survive a serious and prolonged depression? Will corporations, in an increasing scale, be able to bluff the shareholder and impose unremunerative saving upon him? Will the increasing national income per head bring such heightened standards of living that the present scale of saving will be reduced? These are some of the questions which Mr. Jewkes raises in this article and to which he believes the depression which has followed the Stock Exchange crash of 1929 may give answers. By John Jewkes, *The Economic Journal*, December, 1930, p. 581:19.

Does Mass Production Tend to Minimize Profits?

The uneconomic expansion of mass production, involving as it has, during the past decade, a continuing increase of manufacturing capacity, is now proving detrimental to profits. For many acute managers are discovering that the law of diminishing returns is still in operation.

Increase of fixed capital, beyond justifiable limits, in order to expedite the turnover of working capital, is one of the factors following in the train of mass production practice which is presenting a serious problem to management.

Style and model changes which are based upon a desire to stimulate consumption, rather than to improve the serviceability of the product, are also economically unsound, in the opinion of the author of this article. By William Wren Hay. *The Iron Age*, February 19, 1931, p. 605:4.

Management Policies That Put Money in Our Pockets

Accepting trade-ins for no more than they are worth, keeping a close watch on inventories, carrying only quality equipment, grading rental charges according to the time used, and requiring a 25 per cent down payment on every machine sold with complete payment in six months, are poli-

cies which the W. A. Kuhlman Equipment Company have found very profitable. By W. A. Kuhlman. *Mill Supplies*, March 31, 1931, p. 100:2.

Profitable Depression Policies

One of the oldest and surest rules for successful human endeavor has been to take advantage of the times. There are profits to be made during all of the varying stages of the business cycle, but the way of making them varies with the changing conditions ushered in by its fluctuations. By planning its activities for depressions as well as for prosperous periods, management makes the greatest headway in the long run. This article tells what management can and should do about plant rehabilitation, extension and replacement in times of depression. By H. V. Coes. *The Iron Age*, March 19, 1931, p. 922:2.

Management in the Leather Industry

Cooperation between executives within an organization to insure its prosperity, and cooperation between the chief executives of the various competing organizations to insure the general welfare of the industry as a whole, is the key-note sounded in this article by the President of Graton and Knight Company. Management by executive organization rather than by an individual, he states, is the chief requirement of effective management in the leather industry. By Frank H. Willard. *Executives Service Bulletin*, March, 1931, p. 5:2.

Management's Place is in the Home

Regardless of general business conditions some firms will hold their own, others will fail but some will go ahead. An approach to the formulation of a technique for determining the optimum size of a business organization is; 1. Establish the objectives of the business in functional terms; 2. Define those general policies which should be followed regardless of operating conditions or results; 3. Define the task of management in human terms;

4. Staff the executive group with members who are competent to perform successfully the tasks assigned to them; 5. Furnish the executive group with standards of accomplishment by which performance can be accurately measured; 6. Study operating results and establish trends of accomplishment; 7. Adjust the rate of replacement of members of the executive group in line with requirements for maintaining the standards set; 8. Consider particularly the factor of age in its relation to productive capacity of executives; 9. Analyze all dynamic elements so as to discern the

possible operation of the law of diminishing returns with respect to any element, substituting measurement for judgment wherever possible; 10. Establish the optimum size of organization at that level at which the most favorable operating results can be secured within the limits of the predetermined objectives and policies and without causing an executive overload at any point of the organization. From a speech before the Technical Publicity Association by H. A. Hopf. *Class & Industrial Marketing*, March, 1931, p. 82:2.

FINANCIAL MANAGEMENT

Costing in the Chemical Industry

This is the second of two articles in which a system of costing in the chemical industry is carefully explained. In this instalment attention is given to plant records; plant efficiencies; product sheets; and overhead charges. By L. Staniforth. *The Cost Accountant*. February, 1931, p. 240:6.

The Progress of Inflation and "Freezing" of Assets in the National Banks

A general review of banking in the United States for several years past reveals:

1. That the Federal Reserve Act removed the restrictions to inflation which had operated under the old national banking system and did not substitute any other compulsory checks.

2. That in the absence of any definite statutory guide as to the extent to which banks might expand with safety, the Federal Reserve Board has followed consistently the common criterion of danger in the old national banking system, namely, the cash positions of the banks.

3. That because of the provision of an elastic currency by the Federal Reserve Act, the cash position indication of approaching danger has lost its virtue.

4. That the Federal Reserve Board has failed to realize this emasculation, and by following this criterion has given us an inflationary central banking policy.

5. That, under this inflationary policy, the commercial banks have expanded their deposits in relation to their capital until the proprietary protection afforded depositors has been reduced to about one-half of the former standard.

6. That in the absence of supervision on the part of Reserve officials, the commercial banks have permitted their portfolios to become less and less liquid.

7. That the commercial banks have failed to make proper changes in their capital accounts to care for this increasing illiquidity, but, instead, have used short-term deposits for the purpose of carrying "slow-moving" assets.

In a word, then, the inefficient and unwise management of our Reserve System has made it possible for the commercial banks of our country, first, to decrease the proprietary protection to depositors, which becomes especially important in case of forced liquidation, and, secondly, to increase the possibility of such forced liquidation by permitting their portfolios to become less liquid without making the necessary capital adjustments to offset the

decreasing liquidity. This, in general, is the condition which must be corrected. By Ralph West Robey. *The Annalist*. February 27, 1931, p. 427 :3.

Margins, Expenses and Profits in Retail Trade

A summary of the data gathered by the Harvard Bureau of Business Research on margins, expenses and profits of several types of retail business in the United States, is presented in this article. Some of the principal conclusions reached are: (1) In retail trade in the United States, the average or typical profits, beyond compensation for managerial services and interest on investment, are comparatively small; (2) Since the condition of relatively small net profits apparently obtains in wholesale trade, it follows that the spread between the prices received by manufacturers and producers and those paid by consumers consists very largely of costs of doing business rather than of profits; (3) For the most part, retail concerns with large sales volume do not enjoy lower operating costs than those with small sales volume. In general, however, larger firms obtain better profits; (4) Retail enterprises with relatively rapid rates of stock-turn almost invariably have lower operating expenses and obtain more favorable profits than those with slower rates of stock-turn; (5) A low expense ratio contributes more to the profit of retail business than does a high rate of gross margin. By Malcolm P. McNair. *The Economic Journal*, December, 1930, page 599 :34.

Record Outflow of American Short-Term Funds

The outflow of short-term funds in 1930 was exceptional not only in amount, which was nearly twice as great as in any other year, and which was the culmination of the reversal of the movement previous to 1928, but especially in the fact that it marked a departure in American policy with respect to short-term loans and investments in other countries.

The withdrawals of European funds from the American market in 1930 showed a net increase over 1929 of \$283,755,000. The export of American funds to meet foreign requirements, which showed an increase over the previous year of \$159,-278,000 net, was notable for the increase in outright investments as distinct from investments incidental to commercial or other transactions.

In spite of the size of the figures and huge totals involved in these annual returns, it is evident from the returns themselves as well as from other sources that until the past year the United States has made far more limited international use of any excess of short-term loanable funds than any other creditor nation in proportion to its resources, and that, too, under circumstances which impose upon this country a heavy responsibility as the chief creditor and international banker nation. The record for 1930 shows a distinct departure from this policy or practice, reflecting a more lively appreciation of American responsibilities as well as American opportunities in such matters. By George E. Anderson. *The Annalist*. March 13, 1931, p. 509 :1.

No Idle Funds With this Plan

A method is outlined for developing a financial program for a bank which shows up funds that are not working and keeps the earning assets well balanced as to type. By H. N. Stronck and J. Eigelnerner. *The Bankers Monthly*, February, 1931, p. 81 :3.

The Acid Test of the Account

The analysis system for commercial and bank-correspondent accounts in use in the Northwestern National Bank of Minneapolis is carefully explained in this article. It is based on the principle that an account does not pay its way by meeting the bare cost of handling its items, and no more. It should pay, in addition, a proportionate share of the loan cost and of the general overhead expense of the bank.

An analysis system should improve profits, not drive business away. But to win the customer's assent and cooperation, the analysis should present a comprehensive picture of the account, with each item well balanced and none so out of proportion as to justify criticism. The analysis form used in this bank is reproduced in this article and the exact procedure in connection with its use is carefully outlined. By W. F. Grinager. *The Burroughs Clearing House*, February, 1931, p. 10:3.

Inventory Accounting and Control for the Dyeing Industry

Inventories of the Franklin Process Company, whose primary business is servicing or dyeing customers' yarns, are confined to three accounts—yarns, dye-stuffs, and springs. The method of accounting and control for these three items is described in this article. By Chester E. Salb, *N. A. C. A. Bulletin*, Feb. 1, 1931, Section II, p. 912:7.

What Price Prosperity in the Pulp and Paper Industry?

During eight years (1921-1928) one-third of the corporations making and converting pulp and paper products failed to make profits. In 1928 they did one-fifth of the business and lost \$33,000,000. Why? Because they are financially unfit. Under-capitalized to the extent that (December 31st, 1928) current liabilities exceeded current assets \$178 to \$100, they are forced to sell at any price to meet pressing demands for cash.

If "the financially unfit" will withdraw or operate on a sound financial basis, prosperity should return to the industry. The constructive suggestion is made that each corporation which made losses in 1928 should compile percentages from its balance sheet at the close of 1930, and compare these percentages with its showing at the close of 1928. If its financial condition does not show a decided improvement as a result of two years of effort the company should seriously consider whether the game is worth the candle, and either reorganize

on a sound financial basis or liquidate its business.

As financial guideposts, standard proportions for the ratios of current assets to current liabilities; capital invested to fixed assets (net); capital invested to total liabilities; total annual gross sales to total assets, to invested capital and to fixed assets are suggested as being conservative checks on the financial status and annual business of any company within the industry.

An astounding statistical survey of conditions in one industry, a careful study of which ought to benefit companies in other industries. By Thomas J. Burke. *American Paper and Pulp Association*. 27 pages.

Profound Banking Changes Call for Centralized or Single Jurisdiction

An able argument is presented for centralized banking jurisdiction, supported by striking contrasts and happenings in the banking field during the past ten years. Mr. Barton advocates that the time has come when serious consideration should be given to the question of bringing all banking under single Federal jurisdiction, in view of fundamental changes and in the interests of more efficient and safe banking. By John W. Barton. *Trust Companies*, January, 1931, p. 11:4.

Cost Accounting and Management in Soviet Russia

The planned character of all economic activities in Soviet Russia because of and in connection with the full concentration and centralization of the various branches of industry and commerce make for an ideal field for the application of scientific management, the right arm of which is a proper cost-keeping system. In spite of the fact, that from the standpoint of application, cost-keeping in Russia is still in a stage of infancy, on the face of it just about a generation behind times, because of its popularity and potentialities its future is encouraging. With the expansion of Russian industry and the use of new gigantic industrial plants, the ap-

plication of scientific management and cost accounting will grow much wider and more effective. All modern plants are built either by the most prominent American specialists in the respective fields, or, by the Russians themselves with full use of all modern attainments. Naturally, these plants

are more fit to use modern methods of management which too are taking full cognizance of the latest improvements and achievements. By Joseph L. Wurman, *N. A. C. A. Bulletin*, February 1, 1931, Sec. 1, p. 897:14.

Insurance

Insurance Business' Relation to Unemployment Problems

The Governor of New York State says that it is to be hoped that the insurance world will maintain an open mind about unemployment insurance and will apply the same fundamental principles of experience and potential risk which they have applied to existing forms of insurance. It is of the utmost importance that unemployment insurance like the other forms be based on sound actuarial tables. This is the fundamental which will prevent a mere dole or gift on the part of either private agencies or governments themselves. He also says that what is now an experiment affecting about 100,000 workers in this country will become the universal practice throughout the country during the coming generation. By Franklin D. Roosevelt. *U. S. Daily*, March 11, 1931, p. 10.

How Much Fire Insurance?

The "sound value" basis of fire insurance settlements specifies a payment covering replacement cost at present prices less depreciation. In order to secure adequate protection and comply with any coinsurance clause the value of the policy should be computed by this method.

The determination of building, machinery and equipment values for insurance purposes is best secured by an appraisal. Book values based on original costs are often misleading because they may cover property several years old on which replacement cost at the present time is double depreciation rates for accounting purposes are usually too high and not acceptable under the policy basis of adjustment, and

often book values do not reflect extensive repairs on buildings and machinery that tend to increase the sound value. For raw materials the basis of adjustment is replacement cost at present prices and for goods in process and finished goods the market price of the material plus labor and overhead is considered as the replacement value. In low rated plants a clause can be added to the policy that provides for adjustment of loss on finished goods on a basis of selling price, thus insuring profits. Other plants can secure market value protection by a separate policy.

The greatest fluctuation in values occurs in the inventory of raw materials, goods in process and finished goods. Provision for frequent checking of value is necessary for those having coinsurance agreements and others who wish to safeguard against paying extra premium for over-insurance or uncollected fire loss due to under-insurance. *Smith Insurance Service, Inc. Clients' Bulletin Service*, February, 1931.

Sears, Roebuck & Company to Write Automobile Insurance

A new development in the insurance field is marked by the announcement that the Allstate Insurance Company whose stock is held by the officers of the Sears, Roebuck & Company has been formed to sell automobile insurance by mail. Capital stock and surplus is fixed at \$700,000 and all kinds of casualty insurance are included in the charter but at the present time only automobile lines for passenger cars will be sold. No policies will be written for individual commercial cars or fleets. All solicitation is to be done by mail which

means that none of the retail stores will be used as marketing outlets. It is expected that premiums will be approximately 20 per cent below the established manual rates. *The Spectator*, March 19, 1931, p. 272.

Forgery Bonds

For insurance purpose, forgery is regarded as the false making with intent to defraud, of any writing which if genuine might apparently be of legal efficacy or the foundation of legal liability. Losses resulting from forgery of checks occur in such large volume that forgery bonds have been developed as a means of safeguarding against this hazard. Bank depositors can insure against loss through the raising or altering of checks, forgery of name as maker or drawer, and forged endorsement of the payee's name. Similar coverage is available for drafts, notes, trade acceptances and other negotiable instruments.

Checks protected by all kinds of safety papers and mechanical writing devices are duplicated by the professional forger. The last experience table shows 45 per cent of the check losses due to forged maker's name, 50 per cent caused by forged endorsement and only 5 per cent attributable to alterations of the amount, payee's name, date or number. Although banks have a high degree of responsibility in safeguarding depositors against losses, contributory negligence usually results in the release of the bank and assumption of the entire loss by the depositor. The American Banker's Association has estimated that over a hundred million dollars is lost annually through check forgeries and less than one per cent of this amount falls on the bank. By F. C. Carstens. *The Weekly Underwriter and the Insurance Press*, February 28, 1931, p. 564:2.

Voluntary Unemployment Insurance

In describing the unemployment insurance plan of the Dennison Manufacturing Company, Mr. Dennison said: "Since 1921 the fund has been drawn upon to make up

the pay of our permanent force of wage earners whenever they had to be laid off for lack of work,—those with dependents getting approximately 80 per cent of normal rates, and those without dependents approximately 60 per cent of normal. We could not guarantee such payments for all time because we had no sufficient records of experience to tell us what such a guarantee would involve, but payments were to continue as long as the fund lasted, and have continued, as a matter of fact, without any interruption to date.

"The effects of this scheme have been very striking. Undoubtedly it has afforded welcome relief to individuals and probably has held the purchasing power in our community up somewhat higher than it would otherwise have been; and we are assured that it has added a good deal to that feeling of security and confidence without which employees suffer in spirit and in their working abilities as well. But even more valuable have been its effects in stiffening and refreshing the determination of every one who is connected with the management, from salesmen and department heads to general manager, by careful planning and all possible foresight to make payments from the fund as little necessary as they can. Since no one in the management can gain anything directly in a financial way by saving this fund, it is evident that the penalty of payments has induced efforts toward prevention. Such effort is what makes us so strong in our belief that an unemployment fund,—however much it may help the wage earners,—is likely to be of even greater value to the company itself.

"Following the establishment of the fund which was originally planned to cover only the trained staff, logic forced the company to consider some cushioning payment to those laid off permanently, for whom no permanent place could be found in the organization. This will especially tend to make us even more careful when planning expansions, temporary or permanent,—that we do not fall into the error of unwise overexpansion, which is surely one strong-

ly contributory cause of the alternating periods of prosperity and depression.

"I feel sure . . . that the reserving of funds out of profits or surplus during normal times for relief of unemployment is of definite value for individual concerns and of still more for the whole business structure. . . . And a little may go a long way: in the Dennison Company, during the past ten years, the payments have not averaged one-half of one per cent of the

total payroll, and even over the worst ten months of this year have not exceeded two per cent. Even small sums may relieve great needs, and such sums may be withdrawn from years of business activity at an individual cost hardly to be felt, and yet at a very real advantage to society as a whole." Address delivered before the Foreign Policy Association in New York. *Information Service*, Feb. 7, 1931.

OFFICE MANAGEMENT

Space: Location, Equipment, Arrangement

Motion Study Tables for Clerical Operators

A description of two tables constructed for opening and enveloping letters so that the materials for work would be placed conveniently. Results of the output on these specially designed tables show possible savings of 27 and 35 per cent over the output on ordinary tables. By Herbert W. Rogers. *Journal of Applied Psychology*, February, 1931, p. 82:8.

Offering a New Plan of Service in Management

Confidential management and executive service is one of the new and more recent developments of up-to-date business designed to relieve the busy man of overheads, office and salaried clerical expense and the incidental worries which accom-

pany the running of an office where the business man finds it more profitable to devote much of his time out of doors rather than indoors in attending to office work.

To meet this emergency, Frederick A. Sharp announces that he has established offices where he will render such service.

The idea behind the plan is to rid outside firms and companies of the necessity and cost of maintaining a New York office while furnishing accommodation for an office address, headquarters and providing management service, personal and confidential. Clients receive the privilege of mail address, telephone and stenographic services, appointments, arrangements, etc. Credit and collection are undertaken and special investigations are made where desired by the client. *Journal of Commerce*. March 3, 1931.

Records: Forms, Charts, Cards, Files, Statistics

Is Your Filing System A Waste Paper Baler?

The files are the safe-deposit for valuable business papers and records and not a catch-all for every piece of paper received through the mails which has some printing or writing on it. This fourth article on the subject of filing advises that the kinds of papers received for filing be classi-

fied. Such an analysis not only makes it possible to classify the most important material for the general file, special file and other first aids but also enables the department to use the proper transfer and storage systems to unburden current files. Suggestions are given for such time and motion savers as the "remnant counter" or sorting rack, with labelled pigeon-hole com-

parts, and color classification in filing—the using of various colored folders to differentiate folders. By Fred E. Kunkel, *The Office Economist*, February, 1931, p. 10:1.

Tabulating Machine Billing Plan

This report describes two methods of tabulating machine billing now in successful operation:

1. A plan in which the interpreting machine is used to record on the tabulating card the information shown on the customer's bill. The card is then filed and becomes the ledger record of the transaction.

2. The method in which a third or ledger stub is prepared by the billing machine to form the ledger record and the "gang"

punch is used in connection with a master card in preparing customers' bills.

In both cases the cards are also useful in preparing sales analysis and statistics. *N. E. L. A., Publication No. 114*, March, 1931. 11 pages.

Improve Your Letters

The first of a series of articles on simplifying business correspondence and making it more effective lists some "commercial chestnuts" to be avoided and suggest better phrasing for some common and awkward expressions. A good letter is like the visit of a real person. It should be a good business tool, adjusting itself readily to other tools. By Wilmer Alice Adams, *New York Evening Post*, March 23, 1931.

Training and Education: Schools, Libraries, Employee Publications

The Money Value of Correct Instructions

In the struggle for business the organization that reduces its cost of production to the very lowest point will be the one that succeeds. The importance of proper instruction and training in arriving at this minimum is being recognized. The next

few years will see rapid strides in training executives to train their own organizations. The executive who lacks this ability for training is going to be more and more handicapped as he comes into competition with executives who have this training. By Walter S. Berry. *The Foreman and the Industrial Executive*, Mar., 1931, p. 8:1.

Organization: Job Analysis, Employment, Pay, Tests

Measuring the Trained Man

The Employment Supervisor of the Scovill Manufacturing Company discusses the development of methods in the analysis of human effectiveness as the joint problem of supervisor and psychologist; a few of the methods of measurement which have been used by various investigators are reviewed. By Millicent Pond. *The Manufacturing Jeweler*, March 12, 1931, p. 4:3.

Personnel Management as a Career

A review of the work of the personnel department and its relation to line executives reveals that in the business or industry which has a good personnel director other executives are not relieved of responsibilities for their personnel. Training, for

example, is one of the primary functions of all management. The interests and abilities necessary for success in personnel administration are not strikingly different from those essential to business leadership in general. By W. V. Bingham. *Personnel Service Bulletin*, March, 1931.

Office Workers Hit Less by Depression

A survey of leading concerns conducted by the N. A. C. A., reveals that the business depression has not affected employment of office and indirect workers as greatly as it has that of direct productive employees. A decline in the volume of business does not necessarily mean a reduction in the amount of work done by clerical people for the reason that more figures

are essential for a strict accounting control. Also many firms have increased their sales and advertising effort to hold and increase business. *New York Times*, March 15, 1931.

Wanted—Well-Trained, Orderly Minds

We can measure skill and aptitude more or less scientifically. But the qualities of the intellect and of the heart that are called initiative and interest and loyalty and enthusiasm we cannot measure except through interpretation of the man's be-

havior. The man with an orderly mind organizes his work; and—significantly—he learns organization by organizing the smallest kinds of details. Overtime work is often a symptom of the absence of straight and orderly thinking. A railroad top-executive who deals in first principles says he can imagine no more vital need for the future of business than capable man-power; and for the individual in business, no more necessary task than self-improvement. By Leonor F. Loree. *System*, March, 1931, p. 181:3.

PRODUCTION MANAGEMENT

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Unemployment—Industry Seeks a Solution

Radio addresses by the following industrial leaders appear under these subjects: Safeguards for Employee Security, by Gerard Swope; Loans to Laid-Off Employees, by Cyrus McCormick; Reserves Against Unemployment, by Henry S. Denison; Employment Stability and Industrial Partnership, by Walter C. Teagle; Unemployment Benefits, by Morris Leeds; The Elimination of Seasonal Unemployment, by William G. Stuber; Labor's Part in the Alleviation of Unemployment, by William Green; Guaranteed Employment, by Col. William Cooper Procter; Spreading Work to Avoid Lay-Offs, by Myron C. Taylor; The Railroads and Unemployment, by Lawrence A. Downs. *U. S. Department of Commerce*, 1931. 31 pages.

Unemployment and Adult Education

Various authors have contributed brief chapters to form this symposium on problems of re-education arising from technological unemployment. The subject is treated from the following angles: The Dislocated Soldier of Industry; The Iron Bouncer; The Need for Alternative Training; Occupational Obsolescence; Finding

the New Job; Machinery versus Trade Skill; The Problem of Technological Unemployment; Industry's Responsibility; Anticipating Changes; Organized Labor Forestalls Displacement; Rehabilitation in Industry; State Responsibility; University Extension Facilities; Re-education in Relation to Technological Unemployment; Education as a Remedial Factor. *American Association for Adult Education*, 1931. 63 pages.

Russia—the Industrial Laboratory

In Russia today we have a ready-made testing plant in the economic field on a nation-wide basis. Those trying this experiment hope that it will prove that all the benefits of industrial production may be enjoyed without the odium of profiteering. It has been claimed by the Marxians that crises would disappear if private profit were eliminated, but crises have occurred in Soviet Russia. In the management field this experiment offers particularly interesting data. Instead of being eliminated by the absence of the private profit element, much the same labor problems are evident as those appearing in early stages in capitalistic countries. Both Russian managers and their foreign technical advisers resident

ir. Russia complain of the slackness of labor, malingering, making work. It would appear that the psychology of workers and managers does not alter with any régime. Substantially the same principles must be applied to secure continuous systematic work in a socialistic régime as in a régime of private profit. To induce individuals to perform hard work continuously together for any length of time, certain principles of leadership must be adopted. The problem of suddenly training enough native technicians is extremely urgent. The paradoxical conclusion is reached that there may be a "labor problem" where there is no conflict between capital and labor. By Sam A. Lewisohn. *Political Science Quarterly*, March, 1931, p. 41:10.

The Continuous Working Week in Soviet Russia

The methods and principles of the regulation of hours of work have undergone important changes in Russia in the last few years. In October 1927 the Soviet Government announced its intention of introducing the seven-hour day in industry, and at the beginning of 1928 the reform began to be put into operation in some undertakings (see *International Labour Review*, Sept. 1930, "The Seven-Hour Day in Soviet Russia"). The purpose of this first reform was to speed up and so increase production by the introduction of

the three-shift system; it was subsequently completed by what is called the "continuous working week," which by abolishing general rest days aims at enabling undertakings to be kept going seven days a week, and so increase their output while lowering their costs of production. This system is at present applied in a very large number of undertakings, and materials are already available for the study of its characteristics and consequences. This article, after a short history of the question, describes the organization of work under the new system, and analyzes the results obtained up to the present. *International Labour Review*, Feb., 1931, p. 157:24.

Sabotage

First-hand testimony from an ex-working man gives an insight into I. W. W. psychology, describes the sabotage in a number of industries and the destructive and constructive ways of eliminating it. By Louis Adamic. *Harper's*, January, 1931.

Guaranteeing the Job

A review of the causes of unemployment and some of the better known company plans for its prevention and alleviation concludes that the fundamentals of such plans are generally applicable and that while much has been accomplished by individual plants more will have to be done by industries as a whole. By Isaac F. Marcosson. *Saturday Evening Post*, Feb. 28, 1931, p. 3:8.

Benefit Systems and Incentives: Pensions, Vacations, Profit-Sharing, Wage Plans, Suggestions, Stock Ownership.

For Group Insurance, See Insurance Section.

Bonuses for Deliverymen

A plan of compensation under which the pay check actually becomes the measure of the employee's efficiency has been developed by United Parcel Service. The plan is designed for the three elements necessary for the efficient operation of a delivery organization—speed in delivery, care of trucks, and low maintenance cost. To prevent a

driver's overemphasizing efficiency in any one of these elements at the expense of the others, the company has established two interlocking bonuses—a package bonus, and a car allowance bonus.

The problem of inequality of routes was solved by a time study from which was developed a standard package rate per route. Special trips are paid for on a time

basis, and bulk deliveries at the rate of four times the package rate for the route. Additional cash allowances are paid for each call and each C. O. D. The driver receives his earnings weekly in the form of wages at \$5 per day. The excess of his package earnings over the weekly pay, or the package bonus, is paid him on the tenth of the month following that in which it is earned. The plan provides for additional bonuses to reward regular work and faithful and continuous service. These additions are figured on the package earnings and added to the bonus at the end of the month. By Mandus E. Bridston. *System*, March, 1931, p. 205:1.

A Study of Wage-Payment Plans in Connecticut

That the trend is definitely toward basing wage payment on output is shown by a study of Connecticut factories made December, 1929, by members of the Economics Department at Yale. The data presented here were compiled from 132 returns from firms employing over 88,000 workers, more than a fourth of the total employed in industry in the State.

Fifty-two per cent of these are paid on some output basis— $37\frac{1}{2}$ per cent on piece rate, the remainder on some one of the various bonus systems. Day rate is used for 48 per cent of the employees, but straight time was the exclusive basis of payment in only 13 plants.

The use of incentive plans is increasing. Out of 104 plants answering this question, 25 had more people on incentive plans this year than last; 4 had less; 75 were unchanged. That wages are being determined on a more scientific basis is shown by the fact that 78 per cent of the reporting plants used some method of time study or job analysis in setting rates.

Some 52 firms (about 42 per cent of those answering this question) announce to employees a definite policy with reference to rate cutting. Changes are made in rates only when manufacturing methods are changed, by 40 plants; two plants guarantee rates, for one year, and six months, respectively; miscellaneous rate mainte-

nance policies are mentioned by the others.

Annual or seasonal bonuses based on length of service are used by 20 out of 134 firms; 47 out of 129 firms give automatic wage increases based on length of service.

These and other details of the report are summarized in the tables and illustrations accompanying the article. By R. W. King. *Factory and Industrial Management*, March, 1931, p. 411:3.

Dividend for Labor

The president of the General Tire and Rubber Company has announced a special dividend one-half of which will establish a company fund to ensure steady employment. Said President O'Neil: "The fund will be used primarily to finance out-of-season sales. . . . It will also provide money which may be loaned to any of our employees who may be temporarily laid off. . . . Workers who need their wages in winter months will be given more steady employment through that dull period. . . . We do not regard this as a philanthropic move nor do we have any intention of indulging in any crack-brained theories. It is simply a matter of good business." *Time*, Jan. 26, 1931.

Sears, Roebuck's Profit-Sharing Plan

The "Employees' Savings and Profit Sharing Fund" of this company has been pronounced, by students of the subject, the best ever conceived. The employees who join agree to pay 5 per cent of their salaries into the fund and thus share in 5 per cent of the company's net earnings every year. On the basis of normal profits the company's contribution would be \$2 for every dollar the employees paid in.

The conditions covering the working of the fund are extremely favorable to those joining it. In addition, all employees who earn under \$1,500 annually receive an "anniversary check," which amounts to 5 per cent of their annual salary on the fifth anniversary of their entering the service, 6 per cent on the sixth, and so on up to 10 per cent on the tenth, and 10 per cent every year thereafter.

Women are entitled to withdraw their share of profits after five years' service and men after ten years' service. The plan is not a philanthropic project. It has been found by this company, to pay, to be good business. *Industrial Relations*, Feb. 21, 1931, p. 67.

Developments in Industrial Pension Plans

A summary of recent developments in formal industrial pension plans. At least 450 formal pension plans are now in operation in American industry, covering approximately 4,000,000 employees. The total number of pensioners, as of Jan. 1, 1930, was about 95,000. Pension payments for this year will amount to between \$55,000,000 and \$60,000,000, exclusive of those made under informal plans for which sufficient data are unobtainable.

The trend, during the past five years, has been increasingly toward the contributory or composite type of plan, and also toward guaranteeing payments to the pensioner for life. The financial aspect of pension plans is being constantly improved, the trend being toward an approach to sound actuarial practice. By A. H. Young. *The Iron Age*, Feb. 26, 1931, p. 686:4.

New Hills Bros. Wage Plan Aims to Reassure Workers

A desire to alleviate any possible restlessness on the part of its employees occasioned by dismissals of workers in other factories, is responsible for the adoption of a "dismissal wage" plan for hourly or piece workers announced recently by the Hills Bros. Co. The plan applies to all workers who have been on the payroll six months or more, and provides that in the event of dismissal because of lack of work the worker shall receive a wage equal to one day's pay for each month worked at the rate earned at time of the dismissal.

The company, it was explained, does not intend this plan to be a substitute for its efforts to do away with seasonal fluctuations in employment. The plan is, furthermore, not a warning that dismissals are in

prospect. What is intended is that the hourly and piece workers shall be assured, in the event dismissal should become necessary, of receiving the same financial assistance the salaried man gets to help tide him over until he gets other work. The smallest sum an employee would receive under such circumstances is one week's pay.

"It is not to be considered as a temporary expedient adopted simply to meet an emergency," Ernest G. Draper, vice-president of the company and a member of Governor Roosevelt's Commission on Unemployment, said in commenting on the plan, "for it is an extension of plans already in effect to improve the status of our employees. We have already obtained a reasonable degree of stabilization in employment through our efforts to balance production and to eliminate seasonal fluctuations through scientific management. Last year, fluctuations in employment in our Brooklyn factory were the smallest in any of the fifty-four years of the company's existence." *Journal of Commerce*, Jan. 31, 1931.

General Motors Workers to Receive \$8,706,937

General Motors Corporation is distributing \$8,706,937 to 20,009 employees who invested in the savings and investment fund class of 1925, which matured December 31, 1930, Alfred P. Sloan, Jr., president, announced. "This total consists of \$3,422,345 in cash and 149,388 shares of General Motors common stock," he said. "During the twelve years the savings and investment funds have been in operation seven classes have matured and employees of the corporation have received \$65,955,547, including 1,468,184 shares of General Motors common stock. In addition to this sum the employees of General Motors Corporation have in the five unmatured classes \$82,544,634, representing cash, dividends and common stock available for distribution in the next five years. This makes a twelve-year total of \$148,500,181."

"At the present time," Mr. Sloan stated,

"120,000 employees of General Motors Corporation are participating in the savings and investment funds. Approximately 26,000 individuals are helping to pay for their homes through the operation of this plan. Of the 1925 class alone 7,000 employees applied their savings against housing contracts, amounting in the aggregate to \$1,250,759.26." *Journal of Commerce*, Feb. 9, 1931.

Eastman Kodak Pays Part of 1930 Wage Dividend

The directors of the Eastman Kodak Co. have given an impetus to the buying power of employees by declaring \$1,401,893, or more than half, of the photographic concern's annual wage dividend payable from

three to six months in advance of the regular date of payment.

Recipients of the advance payment are employees laid off during 1930 as a result of the business depression, and in addition most of the qualified employees at the three Eastman manufacturing plants in Rochester.

The specific reason for the early payment of this portion of the wage dividend is to bolster the financial resources of employees who have been laid off or working on a reduced schedule of hours per week. The bonus is being paid early, however, to the great majority of employees at the plants in question and not merely to those whose working hours have been curtailed. *Journal of Commerce*, Feb. 14, 1931.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Production Planning

Nine functions of planning are discussed:

1. To study the design from a manufacturing standpoint and prepare a cost estimate.
2. To prepare manufacturing drawings.
3. To determine the kind and quantity of raw materials required.
4. To plan the manufacturing process.
5. To design and provide the tools.
6. To provide the machinery.
7. To prescribe the grades of labor required.
8. To establish time or output standards.
9. To prescribe the wage-payment plan.

Factory and Industrial Management, Jan., 1931, p. 53:3; Feb., 1931, p. 227:4.

Handling Pharmaceuticals Mechanically in the Parke, Davis and Company Plant

This company's plant, completely equipped with the most modern devices for manufacturing, handling, packing and shipping affords an excellent illustration of the economies which can be effected by efficient handling of materials and finished products.

Numerous pipe lines which carry the

liquid preparations from the manufacturing to the filling departments, a fleet of electric lift trucks, utilized in transporting materials on wooden skids, automatic bottle washer-dryer machines, well-planned, double-deck belt conveyors, efficient layout of conveyors and chutes, and machines which are almost human, are some of the features of the mechanical handling operations which are here described in some detail. By D. S. Baird. *Materials Handling & Distribution*, March, 1931, p. 21:4.

Hours Saved Are Profits Gained

A simple yardstick by which a foreman can effectively supervise the daily expenditure of indirect hours in his department is described here. It is suggested that the cost department set up a definite ratio of indirect time to direct time, as shown by two years of plant operation. It is possible with these figures arbitrarily to say whether the two years' performance has been satisfactorily profitable; if the performance has been satisfactory, the management can establish these ratios as the indicators for future performance; if, however, the management feels that economies are in order, it can arbitrarily change these

ratios to bring about what, in its opinion, is a satisfactory reduction in indirect labor.

This method enables each foreman to know every day exactly how his department is functioning relatively to the standards set up by the management and enables the production departments to check up on relation of indirect to direct time. By Harry W. Benton. *Factory and Industrial Management*, March, 1931, p. 415:1.

Lowered Production Costs from Material Control

Profits from material control are dependent upon three rules, states the Cost Manager, Peerless Motor Car Corporation:

Research and Experiment

Safeguarding a "Priceless Quality"

How a national drug manufacturer protects its public and its own good name through constant research, thorough inspection and unwavering vigilance is related in this article. Describing the exacting routine to which all material and products are subjected and the searching tests undergone at various manufacturing stages,

plan what is to be manufactured and how, when and where it shall be done; provide a place for everything and keep everything in its place; provide only the necessary quantity of materials, of the required quality and condition, at the proper time and place. Mr. Baron describes how his organization has successfully applied these rules to its business of making motor cars. By buying every part or commodity to fill a definite manufacturing need specified in the engineering bill of material, the company has held obsolete and useless material expenditures to a minimum. By L. A. Baron. *The Iron Age*, Feb. 19, 1931, p. 613:4.

the vice-president in charge of manufacturing, E. R. Squibb & Sons, states that only when a high purpose guides every department and every individual worker, may the "priceless quality" of dependability be assured. By F. W. Nitardy. *Executives Service Bulletin*, January, 1931, p. 5:2.

MARKETING MANAGEMENT

How Price Competition Destroys a Specialty Market

The General Sales Manager of the Syracuse Washing Machine Company describes the marketing of a specialty product and tells what can be done to avoid its demise. A chart of the life of the average specialty product shows that a period of success is followed by a period of price cutting. Then comes the introduction of new features in the product at a higher price, the stiffening of the sales organization to talk again about what the product will do. A different type of dealer is necessary for this period. A profitable operation is built up only during the period when there is emphasis on what the product will do. The selling then falls into two groups: the basic function of the product and the extra things the product

will do over others in the market. By L. R. Boulware. *Sales Management*, March 21, 1931, p. 494:3.

Making Directors Part of the Sales Force

Every company regards its directors as among its greatest assets but few of them take full advantage of the services their directors can offer. The National Shawmut Bank expects them to take off their coats and help increase the business. The vice-president of the bank describes some ways in which it puts its directors to work and uses not only their names but their personalities as well. By Ray A. Ilg. *Nation's Business*, March, 1931, p. 32:3.

Instalment Selling Through the Depression

Instalment selling has gone through a boom and a depression. What conclusions may justly be drawn from that experience? First, a depression does not result in an excessive volume of defaults or repossession and does not produce any appreciable amount of frozen credits in the instalment field. Second, the soundness and liquidity of finance companies are not at all adversely affected by a depression and as a consequence finance company paper is an exceptionally desirable asset for banks during a depression period. Third, the volume of instalment buying during a boom and during a depression varies in about the same proportion as the volume of all buying of the classes of goods which are commonly sold on instalments. In other words, the volume of instalment selling increases during a boom and decreases during a depression, but these changes are a result and not a cause. Fourth, the volume of instalment outstandings varies only moderately and slowly and does not exhibit the violent movements that are characteristic of many of the common indexes of business during the oncoming of a depression period. Fifth, there is no evidence that instalment selling is an important factor either in bringing on a depression or in bringing a depression to an end. By Milan V. Ayres. *American Bankers Association Journal*, March, 1931, p. 742:3.

Buyers Specify His Products

A banker points a moral after a visit to a textile mill that was not bothered by hard times. Buyers specify the products of every class of men whose products, genius, skill or ability in any form are superior. There is always a market for what they produce and for what they have for sale, whether tangible or intangible. Brains do not explain it all. Old-fashioned common sense plays an important part. Strict attention to business is also highly important.

If manufacturers will research their markets and arrive at an intelligent knowl-

edge of what consumers want and have the ability to purchase, they will not overproduce because they will find themselves concentrating on quality relative to sales price, rather than on quantity to minimize overhead. By Fred W. Shibley. *Nation's Business*, March, 1931, p. 39:4.

What Do Your Customers Say About Service?

How one manufacturer makes his Service Department a profitable sales asset told in the story of a system in which repair work is efficiently routed from the time the package is delivered to the Receiving Department and all relative details noted, to its return to the customer or dealer. A simple set of records keeps the repair jobs moving and renders unnecessary delays improbable. For this manufacturer the repair problem has been solved. The procedure is described. By J. M. Watson. *The Office Economist*, Feb., 1931, p. 3:2.

How National Cash Register Determines Sales Quotas

Past performance and current local conditions are the two most important factors in determining these quotas. The Hundred Point Club, composed of salesmen who secure 100 per cent of their quotas, has been a large factor in building up sales. A sales analysis may show that a man may be getting 100 per cent of his quota but producing it from only a part of his territory. Selling records of the salesmen are published and sent out at regular intervals to the men. By C. E. Steffey. *Printers' Ink*, Feb. 19, 1931, p. 25:4.

Long Distance Planning for Overseas Trade

Inasmuch as intelligent foreign selling is based on a foundation of facts, facts should be determined prior to any selling activity. American foreign traders who make preliminary investigations before entering a foreign market for the sale of their products are usually rewarded by sales returns commensurate with their efforts.

The most forward looking foreign traders are learning where their products will sell; through what channels of distribution they will sell best; what their products will cost the importer, including the net cost of the merchandise and charges, such as customs, tariffs, freight, insurance, cartage, etc.; what margin of profit the wholesaler and retailer will require in moving the merchandise to the ultimate consumer; and what assistance may be necessary in the way of advertising or other sales helps, to enable the distributors to make the best sales presentation. Likewise, investigation is made as to the existence and extent of any local manufacturing or competition from other sources. Such exporters are making full use of the Bureau of Foreign and Domestic Commerce of the Federal Government and its extensive field staff abroad. By A. S. Hillyer. *Commerce Reports*, March 16, 1931, p. 678:2.

Private Brands—Their Significance to National Advertisers

Price-cutting is the primary cause for the growth of the private brand. The practice started with department stores some forty years ago, was taken up by the chains and developed to such a high degree that it has become deep-rooted in our system of retailing. Chain versus chain competi-

tion and the constantly increasing use of advertising space by chain organizations are other contributing factors responsible for private brand growth. The private brand assures the dealer of his margin of profit. Because nationally advertised products are being sold cheaply by all, they are losing their value as leaders. National advertisers are still encouraging price-cutting and the use of their products as loss-leaders. As long as this goes on private brands will flourish. By M. M. Zimmerman. *Printers' Ink*, March 12, 1931, p. 95:5.

Factors in the Elimination of Distribution Waste

The distributing machinery of W. & J. Sloane (agents for floor coverings) comprises a group of jobbers supplemented by a direct selling force. Charts show: a typical distributor's sales area; sales effort concentration; a monthly inventory variation; composition of rug inventory by sizes, weaves and grades; and an inventory control system. A sales promotion staff has been trained to sell the plan to retailers, assisting in the training of distributors' salesmen and performing a host of other functions which should facilitate the smooth flow of merchandise through the distributing channel. *Taylor Society Bulletin*, Feb., 1931, p. 2:13.

Buying, Receiving, Storing, Shipping

Why Some Chains Require Store-Door Delivery and Others Do Their Own Warehousing

A survey of the warehousing done by chain stores in various fields and its effect on manufacturers shows that the character of the merchandise largely determines this practice. Manufacturers who specialize in doing business with chains have made a special study of the procedure necessary to handle this business profitably, eliminating detail and reducing expense of paper work wherever possible. By M. M. Zimmerman. *Printers' Ink*, March 5, 1931, p. 33:6.

Preparing Our Washing Machines for Safe Shipment

When the Automatic Washer Company decided to improve the crate in which its product was being shipped, it first made test shipments and compiled comparative costs, thereby determining the most economical crate to adopt. The result has been a substantial reduction in the crate costs, even though the material cost is slightly greater than in the former, unsatisfactory crate. The Factory Manager describes the construction of this crate,

quoting production figures on the crating machine. There are now six men employed in the entire crating department for the same hourly line production that used to require 16. The crating department operates on a group bonus plan, the operators earning about 15 per cent bonus on an average.

Illustrations are given of various operations in the construction of the new crate, from the material, cut to size, delivered to the crating department, to the finished strapped crate assembly. By Claude W. Campbell. *Materials Handling & Distribution*, March, 1931, p. 24:3.

Does Your Traffic Department Earn Its Salt?

There are net profits in the study of rates, overcharges, adjustments, methods of bulking l.c.l. shipments and the countless other problems relating to the economical handling of traffic. Instances are given of firms which have reorganized the value of a traffic department administered by a traffic manager who really is an expert in his field and so is able to gain for his company the many advantages which lie hidden in our traffic laws and regulations. By O. C. Holleran. *Factory and Industrial Management*, Feb., 1931, p. 225:1.

Sales Promotion: Letters, House Organs, Advertising

How Bauer & Black Operate A "Sales Planning" Department

A delineation, by the director of marketing of this division of the Kendall Company, of how sales are planned on a basis of facts rather than on a basis of hunches with a resultant increase in operating efficiency and a manifold return on the money expended on it, in the avoidance of mistakes. By C. K. Perkins. *Sales Data*, February 28, 1931.

Modern Sales Organization

This survey covers the sales and advertising plans, detailed methods and organization of the Westinghouse Electric and Manufacturing Company, Domestic Appliance Division. Compiled by Dartnell Corporation.

Sales-Plan Obsolescence

The general sales manager of Graton & Knight tells how they modernized their marketing plan. A sales analysis revealed that 80 per cent of the total business came from 20 per cent of the accounts. Further study showed which territories were best organized and the contacts that were most productive. Territories were realigned on the basis of value of accounts and prospects in a given area. The necessity for selective selling and more economical planning

of his time was emphasized to each salesman. A quarterly report was given each salesman showing the total number of accounts in his territory with their potential value in dollars, the total number of calls made and the accounts either consciously or unconsciously neglected. By C. O. Drayton. *Class & Industrial Marketing*, March, 1931, p. 27:4.

How Holcomb & Hoke Trimmed Sails to Double Volume in 1930

Four factors which increased sales over 100 per cent in 1930 were: a better product (freezer counters); closer supervision; better directed advertising and better service to owners. One of the services to store owners who are thinking of remodeling is a suggested layout prepared by their store planning department. Another feature will be about 100 display rooms showing not only freezer counters but automatic phonographs and popcorn machines. Salesmen may then bring prospects to see the entire line, when this is desirable. By D. G. Baird. *Sales Management*, March 14, 1931, p. 450:3.

Sales Policies That Built Canada Dry

An interview with the president of Canada Dry Ginger Ale reveals that almost all of the sales policies that have brought

the company to its present position among the leaders in its industry were based on ideas tested in other lines of business. This is a striking testimony that business men cannot afford to neglect study of sales principles which are successfully building business on products outside their own field. Selective selling based on statistics gathered for that purpose has increased the volume of distribution. Mr. Saylor's rules for the success of any business are: generously and intelligently advertise goods of usefulness and distinction; merchandise them equitably by making them profitable to everyone who assists in their distribution; disregard precedent and tradition; forget competition; base every practice on facts, not theories. No matter what the business is it must conform to economic principles of merchandising. By James True. *Sales Management*, March 14, 1931, p. 446:3.

This Sales Plan Produced a 22 Per Cent Increase in Sales

This plan includes a card which provides for a 4 year record of sales to any one customer divided by the months of the year and various lines bought. A prospect list was also prepared on pink and buff cards, the former for a customer in-

terested in other lines and the latter for prospects who have never been sold. There is also a salesman's Confidential Information Sheet which gives a complete picture of established trade in each city. On the reverse side of this sheet the salesman makes his report which is carefully scrutinized. By Maxwell S. Cagan. *Printers' Ink Monthly*, March, 1931, p. 52:2.

What a Complete New Selling Plan Did for Gifford-Wood

The general sales manager of Gifford-Wood Company (manufacturers of elevating and conveying machinery, ice tools, sheet and structural work and designers of coal pockets) tells how they have increased sales units, reduced unprofitable lines, maintained prices, improved the pulling power of their direct mail and trade paper advertising, reduced salesmen's traveling expenses, and operated the plant in double shifts during a good part of 1930. Each salesman is required to do most of his traveling in an automobile which he owns. He is allowed 7 cents a mile for all car expenses. Prices have been maintained by allowing no commission on cut price sales. By George V. Christie. *Sales Management*, Feb. 21, 1931, p. 318:2.

Salesmen: Selection, Training, Compensation

To Build for Solidity, Develop Men

The Chairman of the Board of the J. C. Penney Co. describes how the manpower necessary to the expansion of his chain of stores has been developed. In their educational department a man is taught fabrics, styles, selling methods, sales psychology and other subjects closely related to operating a store, not forgetting the elements of bookkeeping. Occasional conventions of "first term" men are held for the purpose of examining their progress. Unpromising material is detected early and eliminated. The managers and the sales force are stimulated by a bonus in which 6,671 employees participated during 1930, the

average check being \$80 beyond the usual salary. There are 1,450 managers and 27,600 employees. By J. C. Penney. *Chain Store Age*, March, 1931, p. 25:5.

How 14 Concerns Handle Split Commission Arguments

The practice of the following companies in awarding commissions is given: Monroe Calculating Machine Co., Brandt Automatic Cashier Co., Portable Adding Machine Co., Beacon Falls Rubber Shoe Co., Syracuse Washing Machine Co., Diamond Match Company, Dennison Manufacturing Co., Smokador Company, Standard Brands, Inc., Spool Cotton Co., Eagle Pencil Co.

National Lead Co., E. R. Squibb & Sons, Wayne Company. By Herbert Kerkow. *Sales Management*, Feb. 28, 1931, p. 361 :2.

Letters That Helped Salesmen Overcome Present Selling Difficulties

These letters have been contributed by 29 sales managers distributing a variety of products. Some of the letters offer a suggestion

for handling condition-minded salesmen, some emphasize the error of handling a territory in haphazard fashion, some stimulate those affected by slow business conditions and others touch upon subjects which are the outgrowth of the economic readjustment. Compiled by the *Dartnell Corporation*.

Retailing

Goodby to the Chain Store "Advertising" Location

High rentals charged to advertising appear to be disappearing. Small stores in prominent locations are now more likely to be rented on a basis of percentage of earnings with a minimum guarantee of about half the first asking price. Many failures may be traced largely to the inability of the outlying stores to carry the enormous losses incurred by the one in the key-spot location. There will still be occasional stores operated at a loss for the sake of goodwill. There could be no criticism of this policy if the money to be dropped is definitely scheduled as part of an advertising appropriation which is planned to accomplish a specific purpose. But the mere "charge up the loss" principle seems to be finished. By Herschel Deutsch. *Advertising and Selling*, March 18, 1931, p. 17 :4.

average annual rate of 12 per cent over each preceding year there would be little room left for further expansion. This may be true in some other lines—but apparently not so with the chain-store industry.

The following four fundamental reasons have led the author to this conclusion: 1. Because the chain store has proved that it is a vitally important economic agency in our industrial and social welfare. 2. Because of the sound manner in which the leading systems have been developed and financed. The policy of effecting the bulk of expansion by the reinvestment of earnings has established the industry upon an almost shatterproof foundation. 3. Because chain-store management, generally speaking, is competent and fully aware of future possibilities—and is, at the same time, cognizant of its responsibility to the consuming public and stockholders alike. 4. Because of the broad field available for further development. By Victor J. Olearo. *Barron's*, February 16, 1931, p. 5 :2.

Looking Ahead With the Chain Stores

The year 1930, despite its depressing influences, marked another chapter in the progress of the chain-store business. When the final returns for the year are tabulated and compared with 1929 they will show that the chain stores were conspicuous among the few lines of business that actually made progress. Today, all chains (including the mail-order-chain companies) are reported to be doing 16 per cent of the country's total retail business—or close to \$6,500,000,000. This is three times the amount transacted by the chains 10 years ago. Ordinarily one would think that after an industry has grown for 10 years at an

The Retailing Plans We Need

With chain stores, independents, mail-order houses, house-to-house canvassers vying for consumer's business, the question arises, how many of these different types of distribution do we need. The Secretary-Treasurer of F. & R. Lazarus & Co., (department store) in a review of methods employed and the rapid changes which have taken place in them offers the answer that any system that will survive in the present competitive field is a proper one as long as it deals honestly with its customers. By Fred Lazarus, Jr. *Nation's Business*, March, 1931, p. 29 :3.

Books Received

The Work of the New York Stock Exchange in the Panic of 1929. Address delivered by Richard Whitney, President, New York Stock Exchange, before the Boston Association of Stock Exchange Firms, at the Algonquin Club, Boston, June 10, 1930. 29 pages.

Letters That Sell and Why. By Cameron McPherson. Dartnell Corp., Chicago, 1930. 250 pages.

The Cost of Living in the United States, 1914-1929. National Industrial Conference Board, Inc., New York, 1930. 190 pages. \$2.50.

Survey of Books for Executives

The Menace of Overproduction. Edited by Scoville Hamlin. John Wiley & Sons, New York, 1930. 202 pages. \$2.75.

The book is a compilation of analyses by individuals familiar with and competent to analyze difficulties in the following industries: Bituminous mining, oil, cotton textile, woolen, silk, rayon, agriculture, radio and steel. There are also several chapters devoted to general conditions.

The writers of these monographs all list overproduction as a menace and some suggest modification in our anti-trust laws; some reduction of hours of work; most agree that the methods to be adopted to prevent overproduction is the most important single subject for the economic and political consideration in the world today; that statistics are absolutely essential if goods are to be marketed at a fair price. The suggestion for the modification of the anti-trust laws lies in the right to compile and exchange the essential information to develop a method to regulate production to consuming capacity.

In practically every instance overproduction is pointed out as one of the difficulties with the industry. The Editor points out, perhaps the thing that is most baffling about overproduction is the definition of the term itself. The average business man limits its application to what might be called actual overproduction, i.e., production of more of a commodity than consumers want or can buy. A far more significant definition lies in more plant, more

capital investment than can be sufficiently utilized.

Back of the business fluctuations of today is a potential capacity, a capacity to produce consistently more goods than income can absorb. The cost of maintaining this idle capacity has brought into general operation the law of diminishing income return: the law which says that modern productive capacity cannot increase out of proportion to buying capacity without further destroying consuming power.

In other words, potential producing and consuming capacity must be balanced if the peaks and valleys of capital labor employment are to be leveled, if production is to be rationalized and drastic recessions eliminated.

The Editor stated, capital, under modern conditions, is a reservoir only as long as the cost of upkeep of the capital labor investments is met from year to year. Income is a flow only as long as the cost of capital labor upkeep is met from year to year. By capital labor upkeep we mean the bare cost of maintaining the investment of "going concern" intact. It constitutes a fixed overhead on a standard investment of labor and capital.

He further states that no nation is realizing an income return on its capital labor investment. Close to half the corporations of the United States are operating at a deficit, and the proportion is steadily increasing. The total gross income for companies with no net profits amounted, in 1925, to

over 24 billion dollars. The net return of all corporations in 1922, was about 5½ per cent.

He further states that tariff, direct taxation, corporation profits are no longer a brake on expansion, that overproduction is no longer an isolated problem, confined to particular industries or nations. The extensive use of power, machinery and technological improvements has greatly increased the production power of industry as well as its extensive power.

Production capacity is increasing at a rate out of proportion to the slower growth of buying and consuming capacity. That volume production and distribution have forced down the cost of production and forced up wages to a point which compels industry to expand to the limit.

Consumption cannot catch up with production as of old, because reserve capacity is increasing faster than consuming capacity. Modern business is powerless to take normal requirements into account and yet we know within well defined limits the annual requirements for basic commodities like coal, cotton, steel, lumber, wheat, oil, food, clothing, etc.

This inability to gear production to normal requirements is forcing industry to sell below cost, below the cost of upkeep of the capital labor investment. It is forcing cut-throat competition between industries and nations. The gap between supply and demand grows wider and wider.

That wealth and population are multiplying independently of each other, independently of any law of economy, and that the mortality rate of population and wealth (growth of excess capacity) is the determining factor today in man's struggle for existence. This destructive rate of growth of population and wealth will establish the limits of our evolutionary range, unless we bring the capacity to produce and consume into balance.

The Editor makes a specific proposal that the substitution of income as a motive for labor and investment in place of profits, will afford the needed compulsion. By requiring capital and labor to be brought into

use in due proportion to each other, the compelling motive will be further strengthened. By establishing a limit to the income return rate of growth of population and wealth will be subject to control. New resources will be kept out of use until they are needed.

His thesis is quite interesting, but it seems to the reviewer to involve a considerable number of practical difficulties to accomplish it. The book is most stimulating and the apparent agreement by the individual writers on the several basic industries as to the fundamental difficulties and the corrective measures to be applied, makes a profound impression.

That something is wrong with our present economic system well informed and thoughtful people will agree. The suggestions for the corrections of some of the present lopsidedness in the system is food for considerable thought.

HAROLD V. COES, *Manager, Industrial Department, Ford, Bacon & Davis, Inc.*

Introduction to Wall Street. By John Francis Fowler, Jr. Harper & Bros., New York, 1930. 265 pages. \$3.50.

A simple and practical explanation of Wall Street, written from the point of view of the average investor. The kinds of securities; how transactions are handled; the technique of buying and selling; investment principles; profitable trading policies; the structure of the money market; and other vital facts are discussed.

Newspaper Organization. By D. J. Hornberger and Douglass W. Miller. Bureau of Business Service, Ohio Wesleyan University, Delaware, Ohio, 1930. 48 pages.

This study of newspaper organization, including 151 evening and 94 morning dailies of 10,000 or more circulation, located in 36 widely scattered states, reveals that newspapers generally, in contrast to the single corporate set-up of other types of industrial enterprise, have two organization set-ups largely separate and distinct from each other: one for the corporate

ownership, which was found to differ widely from the common industrial practice; and the other for operation, which is similar to that in any other industry, being built around the fundamental functions of planning, making, distributing and servicing. Most daily newspapers are owned by corporations, it was determined, and except for overhead organization, chain and non-chain newspapers are organized much the same. Charts of typical and representative newspaper organizations as shown by this study are given in an appendix to the text.

The American Leviathan. By Charles A. Beard and William Beard. Macmillan, New York, 1930. 824 pages. \$5.00.

Politics, government and technology as reflected in the federal system of the United States with emphasis on the newer functions created under the pressures of the machine age.

Wages: A Means of Testing Their Adequacy. By Morris E. Leeds and C. Canby Balderston. University of Pennsylvania Press, Philadelphia, 1931. 79 pages. \$1.50.

This study covers an investigation of wages and promotion in the Leeds & Northrup Company from 1901 to 1929, and presents an inspection tool which personnel management can use to check the adequacy of wages as well as the effects of its promotion policy.

Psychology for Advertisers. By D. B. Lucas and C. E. Benson. Harper & Bros., New York, 1930. 351 pages. \$5.00.

The man who has not made a study of psychology and rather shies at the word, would be discouraged in his first hundred pages of this book, whereas if he could be led into this by the wonderful material available in the balance, he would understand the value of psychology for advertisers and finish an enthusiastic believer in what a reasonable understanding of psychology will do for him as an advertising man.

In the introduction, the authors present a very strong statement, as follows: "The psychology of advertising searches out such values as the attention which will normally be accorded to a certain color, or the ease with which a slogan may be learned and remembered. Psychology determines the ease of reading and the pleasantness aroused by a certain type face, length of printed line, or frequency of paragraphs. Psychology strives to measure the "feeling tone" which is left with the reader in reaction to an advertisement or a feature of it."

"The laws of psychology govern the design of the advertisement and the choice of method of putting the advertisement before the public. Efficient selling requires an understanding of the market which consumes the goods and the use of intelligent methods of placing those goods on the market. Psychology finds ready application in the whole process and it is with the principles of psychology applied to advertising that this book specifically deals."

"Psychology evaluates the adaptation of colors, sizes of type, border lines, illustrations, head lines and other objective features."

"Psychology determines the number of facts which may safely be included in a piece of copy with a reasonable chance of being remembered."

The book then continues taking up the subject of the customer and making a technical analysis of the theory of learning, sensation, perception, vision, audition, smell and taste, etc.

The chapter on "Factors in Making an Impression" outlines for the advertiser what he must analyse and find in the proposed consumer in order to meet those conditions through his copy. The points made in this chapter are particularly impressive as they are illustrated by advertisements which drive home the particular points in question.

Another chapter impresses upon the advertiser what "native and primary tendencies" mean, so that the fundamental urges met by the copy will bring greater results.

This is also generously illustrated by actual advertising, so that the point is made very clear. At the close of this chapter we find "The up-to-date advertiser now knows that appeals should be based upon the motivating tendency and emotional lives of his customers, along with sufficient reasoning and facts to establish a permanent response."

Probably the chapter on "Appeals in Advertising" will be more quickly grasped by the ordinary advertising man than previous chapters that are more technical in the psychology part of this book.

In the chapter on "Relative Values of Appeal" is a long table of "The relative strength of motives in general" with percentage figures that are most interesting.

There is in the chapter on appeal a rather unusual statement that will provoke considerable discussion. It is "Men and women are urged by motives to different degrees, although recent findings prove them more similar than is frequently supposed."

"Positive and negative appeal" is liberally illustrated and discussed and further elaborated by charts.

We then come to the practical side of advertising which will appeal to any man interested in the making of advertisements. One statement is right down to works—"The mechanical features of an advertisement have much to do with the impression it makes." "As the clothes help to make the man, so do the mechanical features help to make the advertisement." Charts give percentages of advertisements containing illustrations, various sizes and other valuable information. Color comes into its own with illustrations showing the value of color and why, and the following will provoke considerable discussion: "Color is admittedly elaborate, realistic and pleasing, but color does not show outstanding merit under most laboratory scrutiny."

In a copious discussion of mediums the following is treated at length: "Despite the predominance of local advertising in newspapers, there are strong indications that the trend is toward more national and general appeal."

The chapter on salesmen discusses gen-

eral salesmanship in a very intelligent way and shows the value of a salesman in the promotion of advertising and the enhancement of its pulling qualities, and this will make some salesmen sit up and take notice—"The person who sets out to sell the average customer is doomed for failure and he will never find such a person. The average, it should be remembered, is a point from which everyone deviates or varies, and not a point upon which everybody clusters." As a final to this chapter—"Viewed from the field of advertising, the salesman may be considered as a selling medium who carries out all of the functions of an advertisement."

Statistical methods in advertising bring the market analysis to the front and show the value of facts and figures in the preparation of copy. This is demonstrated by means of charts and tables which are unusual in their clearness, and the chapter closes with the following: "Hastily drawn conclusions are apt to be based upon the more extreme cases, whereas a true measure would sometimes show an opposite result."

The chapter on "Measures of Effectiveness" will have to be read in its completeness in order to get the meat out of it. It discusses sales measures, coupons, and other methods, together with test campaigns.

This is followed by laboratory measurements which, although quite technical, demonstrate the value of testing through laboratory methods before going into an expensive campaign. As we find in the summary "Chief advantages of the measures we have considered in the laboratory group is that they can be applied before the money is spent."

Perhaps the best closing of this incomplete review of a book packed with valuable information for the advertiser or person interested in advertising, would be to quote from the chapter on "Advertising and the Thinking of the Public" as follows—"Advertising is a tremendous power in the broader education of the public. This is true, because advertising affects

the thinking, feeling and doing of the great mass of people. The motive behind the annual investment of billions of dollars is to get people to think, to feel and to act in ways profitable to the investor."

I highly commend this book to the thinking advertiser, for the authors have shown the value of psychology in a practical way and in a language that is easily understood and applied.

The authors have backed up their text with liberal quotations from other psychologists and authorities, so that the book has taken into consideration all phases of the subject.

GEORGE W. HOPKINS,
Consulting Sales Executive.

Insurance—Its Theory and Practice in the United States. By Albert H. Mowbray. McGraw-Hill Book Co., New York, 1930. 639 pages. \$4.00.

This unified treatment of the common principles underlying all branches of insurance is designed to serve as a text for the beginner who wishes to gain a broad background before going on to the detailed study of specialized branches of insurance. The nature of risk, forms of insurance contracts, types of insurance carriers and their problems and state supervision of insurance provide a general outline for this comprehensive discussion of theories and practices that are common to all forms of underwriting.

How to Set Up Production Control for Greater Profits. By Hugo Diemer. McGraw-Hill Publishing Company, Chicago, 1930. 336 pages. (Premium book given with 2-year subscription to *Factory and Industrial Management* at \$5.00.)

Using a form similar to the one followed in his recent study of wage payment plans, Mr. Diemer gives a general description of production control and then passes on to a series of case studies, each one prepared by someone within the organization being described. For the reader who prefers

plenty of concrete illustrations including samples of forms used, this volume will serve as a useful reference. The correlation of sales requirements and production schedules, production budgets, material control, inventory reduction and methods of reducing fluctuations in volume of goods in process are included in a comprehensive treatment of the planning which precedes routing, scheduling and dispatching. Many different techniques employed in these three procedures in both job order and quantity production plants are described in detail.

America Looks Abroad. By Paul M. Mazur. The Viking Press, New York, 1930. 299 pages.

This is another of those fascinatingly written books by Paul M. Mazur of Lehman Brothers which frankly faces some of the dilemmas in which America finds herself as a result of the influences of the World War and the reversal of America's position as a creditor nation.

Indeed, Mr. Mazur presents the problem as an international dilemma, escape from which necessitates a very active part by America. The author takes the solid stand that the absorption of foreign loans in America cannot continue to meet the growing interest and principal charges on Europe. America must accept an import surplus for the difference and that import surplus will probably amount to a billion dollars a year.

Neither in financial factors of amelioration nor in non-financial factors of amelioration does Mr. Mazur find an adequate escape from an import surplus. By non-financial factors of amelioration, Mr. Mazur means immigrant remittances, freight charges, tourists' expenses, the art trade and similar items.

Among the most interesting chapters of the book are those on The Philosophy of Consumption in America and those on The Philosophy of Consumption in Europe. It is quite clearly suggested that what is regarded as the traditionally European in-

dividualism in regard to consumer goods may fall before the needs of finance in industry.

Already European objects to an extension of modern methods of business are beginning to disappear and an extension of them seems only a matter of growing awareness to economic realities on the part of responsible Europeans.

The way out of the international economic dilemma that the war created winds along the highways of international trade, and the principals on the new scene will be America and Europe—once Europe has become industrially-minded and America internationally-minded. The vision does not, however, end with a lifeless barter of goods. In front of the counters, as well as behind them, in all corners of the world, will be millions upon millions of people with higher standards of living than ever, enjoying material benefits such as hundreds of ambitious and noble-minded social reformers are impotent to achieve for them. Moreover, that such an opening up of the sluices of a fuller economic life should show a marked, if not corresponding gain along cultural lines, is a reasonable expectation.

Mankind, if it retains its sanity, may yet achieve a new synthesis of spiritual and material life, which will embrace more members of the human family than ever before.

W. J. DONALD.

Management Problems with Special Reference to the Textile Industry.
Edited by G. T. Schwenning. University of North Carolina Press, Chapel Hill, N. C., 1930. 264 pages. \$2.00.

This volume contains some excellent material on problems of the textile industry in the South. The proposals for reorganization in production and in marketing which are made by H. P. Kendall, C. T. Murchison and one or two others are excellent. How much needed they are by the managers of the southern textile mills will be realized by anyone who reads Chapter 2,

which is written by the former president of the North Carolina Cotton Manufacturers Association. The book suffers, however, by the inclusion of several chapters that are wholly irrelevant to its major purpose. A better editorial job would have been done if these chapters had been omitted and the excellent discussion of textile operating methods which is now in the appendix had been given a prominent place in the book. Even so, it is to be hoped that the volume will have a wide circulation among those to whom it is particularly addressed.

ORDWAY TEAD, *Editor, Business Books, Harper & Brothers.*

Joint Stock Banking in Germany. By P. Barrett Whale, Macmillan & Co., Ltd., London, 1930. 369 pages.

With the structure of the banking organization in United States undergoing momentous changes, this volume is of current significance to commercial bankers and business men. Of especial import is the experience of Germany with the affiliation of commercial and investment banking functions, for this phase of banking development is giving most concern to students of finance as well as to the executive and legislative branches of the Federal and State governments.

It is interesting to note that the affiliation of German commercial banks with investment banking institutions has caused them occasional losses without in any way involving their safety. The evidence in Germany shows that it is possible for commercial banks to lend their resources and influence in initiating and developing industrial enterprises without impairing the liquidity of their own resources. When, as sometimes happens, the commercial banks' assets are congealed, the risks ordinarily accompanying such a condition have been minimized by diversification of loans and the maintenance of secret reserves. Needless to say the participation of commercial banks in investment banking functions has been characterized by cautious restraint

rather than undiscriminating enthusiasm.

Mr. Whaley's book displays an historical treatment of the subject with sufficient detail to make it unusually serviceable as a reference work. There are pertinent and salient statistics both in the text and appendices. A bibliography of six pages dealing predominantly with German texts and an index of 8½ pages add to the utility of the volume.

**FRANK PARKER, Professor of Finance,
Wharton School of Finance and Commerce,
University of Pennsylvania.**

Credit and Its Management. By J. H. Tregoe. Harper & Bros., New York, 1930. 196 pages. \$3.00.

In the preface to "Credit and Its Management," Mr. Tregoe states that he does not offer his latest achievement as an elementary treatise on Credit, but to my mind he has produced a comprehensive and thought provoking exposition, which ranges widely and gives a clear, well organized and succinct treatment of credit technique. The student preparing himself for a business career will find it of absorbing interest. It will prove of great interest to the junior, as well as the senior credit man and will, undoubtedly, also have a strong appeal to the lawyer, merchant, banker and others whose vocations or professions may not be directly associated with the subject, but who wish to keep abreast of developments in this one of the most important arteries of finance, commerce and industry.

The author deals very fully with his subject, but there are six chapters that deserve special mention, namely: The Historic Background of Credit, The Uses and Abuses of Credit, The Proper Appraisal of the Credit Department, Credit Economics, Credit and The Bankruptcy Law, Friendly Liquidations.

There is an unmistakable drift in thought and action on the part of leaders of industry and commerce to the conclusion that master thought planning and control must be substituted for "automatic forces"

in this highly technical machine civilization of ours. This is true to a greater extent, perhaps, of Credit Management than any other department of business. In his preface, the author writes: "Our rapidly growing industries and commerce have not allowed the knowledge of credit and its management to expand with its widespread uses, and there may be discovered now a distinct tendency to direct credits by mechanical processes. Mass-production methods have made themselves felt, and the author has no profounder purpose than to make clear the professional and human aspect of credit management and to show that it does not lend itself to mechanical control and processes."

Only in the last few years has Credit Management assumed sufficient importance to gain recognition as a profession requiring years of study and preparation if satisfactory results are produced. As the author has so very well stated, "The day never arrives when the Credit Executive can truthfully say, 'there are no further worlds to conquer.' There is no graduation day; the training for credit administration is never finished." He has very fully discussed "mechanics" of Credit Management, but has tersely pointed out all through the book that there is no substitute for constructive independent thought.

This book is published at a time when the entire business structure, not only of this country, but of practically the entire world, is feeling the effects of the "Abuse of Credit." It reflects the broad knowledge of the author on this subject, his mature judgment and his keen analytical ability, all of which are the result of many years of intimate contact with, and close study of, this field. His use of terminology is exceedingly clear-cut, the composition is excellent and it is printed in type that is easily read, all of which contribute to the comfort and enjoyment of the reader.

It will make a highly desirable and beneficial addition to the business library.

J. E. OWENS,
*Vice President,
Home Mortgage Company.*